

CALHOUN CONSERVATION DISTRICT

Basic Financial Statements

For The Year Ended September 30, 2004

AUDITING PROCEDURES REPORT

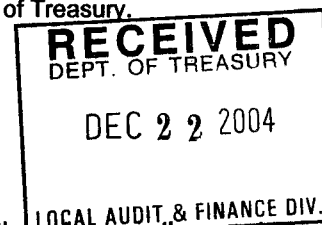
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Calhoun County Conservation District	County Calhoun
Audit Date September 30, 2004	Opinion Date December 1, 2004	Date Accountant Report Submitted to State: December 20, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature <i>Rehmann Robson</i>			

TABLE OF CONTENTS

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

December 1, 2004

To the Board of Directors of the
Calhoun Conservation District
Marshall, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the **Calhoun Conservation District (the "District")** as of and for the year ended September 30, 2004, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Calhoun Conservation District. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Calhoun Conservation District as of September 30, 2004, and the respective changes in its financial position thereof and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be, part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2004, on our consideration of the Calhoun Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**BASIC FINANCIAL
STATEMENTS**

CALHOUN CONSERVATION DISTRICT

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET

SEPTEMBER 30, 2004

<u>ASSETS</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash and cash equivalents	\$ 126,047	\$ -	\$ 126,047
Due from State	41,743	-	41,743
Capital assets			
Assets not being depreciated	-	36,900	36,900
Assets being depreciated	-	1,973	1,973
Total assets	<u>\$ 167,790</u>	<u>\$ 38,873</u>	<u>\$ 206,663</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts payable	\$ 15,744	\$ -	\$ 15,744
Accrued expenses	5,493	-	5,493
	<u>21,237</u>	<u>-</u>	<u>21,237</u>
Fund balance			
Unreserved - undesignated	<u>146,553</u>	<u>(146,553)</u>	<u>-</u>
Total fund balance	<u>146,553</u>	<u>(146,553)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 167,790</u>		
 Net assets:			
Investment in capital assets, net of related debt		38,873	38,873
Unrestricted		<u>146,553</u>	<u>146,553</u>
Total net assets		<u>\$ 185,426</u>	<u>\$ 185,426</u>

The accompanying notes are an integral part of these financial statements.

CALHOUN CONSERVATION DISTRICT

**Reconciliation of General Fund Balance Sheet
to Statement of Net Assets**

SEPTEMBER 30, 2004

Fund balances - General Fund \$ 146,553

Amounts reported for *governmental activities* in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

38,873

Net assets of governmental activities

\$ 185,426

The accompanying notes are an integral part of these financial statements.

CALHOUN CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

	General Fund Actual	Adjustments	Statement of Activities
Revenues			
Federal grants	\$ 139,320	\$ -	\$ 139,320
State grants	111,778	-	111,778
Project income and other grants	73,077	-	73,077
Contribution from County	12,500	-	12,500
Charges for services	86,565	-	86,565
Interest and contributions	1,791	-	1,791
Other revenues	1,763	-	1,763
Total revenues	426,794	-	426,794
Expenditures/expenses			
Other General government			
Soil Conservation			
Administration	92,468	(2,302)	90,166
Project Services	301,741	-	301,741
Depreciation expense	-	329	329
Total expenditures/expenses	394,209	(1,973)	392,236
Net change in fund balances	32,585	(32,585)	
Change in net assets		34,558	34,558
Fund balance/net assets			
Beginning of year	113,968	36,900	150,868
End of year	\$ 146,553	\$ 38,873	\$ 185,426

The accompanying notes are an integral part of these financial statements.

CALHOUN CONSERVATION DISTRICT

**Reconciliation of the General Fund Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities**

FOR THE YEAR ENDED SEPTEMBER 30, 2004

Net change in fund balances - General Fund	\$ 32,585
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	2,302
Deduct - depreciation expense	<u>(329)</u>
Changes in net assets of governmental activities	<u><u>\$ 34,558</u></u>

The accompanying notes are an integral part of these financial statements.

CALHOUN CONSERVATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2004

	Original and Amended Budget	Actual	Over (Under) Budget
Revenues			
Federal grants			
Rice Creek 319	\$ 50,376	\$ 50,376	\$ -
Battle Creek 319	78,859	78,859	-
Rice Creek and Battle Creek 319	10,085	10,085	-
State grants			
MGSP Groundwater Stewardship	65,489	65,489	-
MGSP 04	-	10,200	10,200
Nottawa Creek CMI Implementation	20,089	20,089	-
MDA Base	16,000	16,000	-
Project income and other grants			
Environmental Education	42,883	49,577	6,694
Elm street dam removal		23,500	23,500
Contribution from County	12,500	12,500	-
Charges for services			
Reforestation sales	13,657	17,032	3,375
Brandt Woods Timber Harvest	38,340	40,140	1,800
Other	32,130	29,393	(2,737)
Interest and contributions	1,641	1,791	150
Other revenues	1,220	1,763	543
Total revenues	<u>383,269</u>	<u>426,794</u>	<u>43,525</u>
Expenditures			
Other General government			
Soil Conservation			
Administration			
Salaries and wages	32,180	39,791	7,611
Fringe benefits	2,485	4,485	2,000
Office supplies and expense	11,305	21,793	10,488
Reforestation purchases	1,455	5,537	4,082
Contractual, annual, and and other expenditures	10,850	20,862	10,012
Total Administration	<u>58,275</u>	<u>92,468</u>	<u>34,193</u>
Project Services			
Rice Creek 319 Grant	42,731	53,827	11,096
Rice Creek and Battle Creek 319	2,670	2,670	-
Battle Creek 319 Grant	77,319	94,808	17,489
MGSP grants	55,413	75,885	20,472
Nottawa Creek CMI Implementation	13,910	13,910	-
Elm street dam removal	-	10,117	10,117
Environmental Education	40,219	50,524	10,305
Total Project Services	<u>232,262</u>	<u>301,741</u>	<u>69,479</u>
Total expenditures	<u>290,537</u>	<u>394,209</u>	<u>103,672</u>
Revenues over expenditures	92,732	32,585	(60,147)
Fund balance, beginning of year	<u>113,968</u>	<u>113,968</u>	<u>-</u>
Fund balance, end of year	<u>\$ 206,700</u>	<u>\$ 146,553</u>	<u>\$ (60,147)</u>

The accompanying notes are an integral part of these financial statements.

CALHOUN CONSERVATION DISTRICT

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Calhoun Conservation District (the "District") was organized for the purpose of "providing local guidance and involvement in the promotion of soil conservation in Calhoun County, Michigan". The Conservation District is a local unit of the State of Michigan, which operates under the direction of a board of directors. The Board oversees the development and implementation of soil and water conservation activity in Calhoun County, Michigan.

In accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 14, certain other governmental organizations may be considered to be part of the reporting entity for financial statement purposes. The criteria established by GASB Statement No. 14 for the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibilities and financial accountability.

In this regard, there are no other governmental organizations associated with Calhoun Conservation District subject to the above criteria nor are there any other governmental organizations in existence. All funds of the reporting entity are included in the financial statements as presented.

Government-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the District uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The major individual governmental fund is reported as a separate column in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The component-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CALHOUN CONSERVATION DISTRICT

Notes To Basic Financial Statements

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the *general fund* as the District's primary operating fund. It accounts for all financial resources of the District, except those, if any, required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Equity – In the fund financial statements, the governmental fund reports designations of fund balance for amounts that represent tentative management plans that are subject to change.

Budgetary Information – The general fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results.

CALHOUN CONSERVATION DISTRICT

Notes To Basic Financial Statements

2. CASH AND EQUITY IN POOLED CASH AND INVESTMENTS

Deposits are classified as follows:

Petty cash	\$ 100
Deposits	<u>125,947</u>
	<u>\$126,047</u>

All accounts are in the name of the Calhoun Conservation District. They are recorded in District records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

Statutory District

The District is authorized by Michigan law to invest surplus funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the District to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

CALHOUN CONSERVATION DISTRICT

Notes To Basic Financial Statements

Cash and cash equivalents are in accordance with statutory District.

At year end, the carrying amount of the District's deposits was \$125,947. The bank balance of these deposits was \$118,309, all of which was insured by the Federal Depository Insurance Corporation (FDIC).

3. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 36,900	\$ -	\$ -	\$ 36,900
Total capital assets not being depreciated	<u>36,900</u>	<u>-</u>	<u>-</u>	<u>36,900</u>
Capital assets, being depreciated:				
Equipment & Furniture	-	2,302	-	2,302
Total capital assets being depreciated	<u>-</u>	<u>2,302</u>	<u>-</u>	<u>2,302</u>
Less accumulated depreciation for:				
Equipment & Furniture	-	329	-	329
Total capital assets being depreciated, net	<u>-</u>	<u>1,973</u>	<u>-</u>	<u>1,973</u>
Capital assets, net	<u>\$ 36,900</u>	<u>\$ 1,973</u>	<u>\$ -</u>	<u>\$ 38,873</u>

CALHOUN CONSERVATION DISTRICT

Notes To Basic Financial Statements

4. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements for the general fund, the District's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the District for these budgetary funds were adopted on an activity level.

During the year ended September 30, 2004, the District incurred expenditures in excess of appropriations at the legal level of control as follows:

	<u>Amended Budget</u>	<u>Expenditure Amount</u>	<u>Excess</u>
Other General Government:			
Soil Conservation:			
Administration	\$ 58,275	\$ 92,468	\$ 34,193
Project services	232,262	301,741	69,479

5. RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2004, the government carried commercial insurance to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

6. LEASE

The District leases its office facility on a month-to-month basis for \$250 per month. Rental expense for the District was \$3,000 for the year ended September 30, 2004.

CALHOUN CONSERVATION DISTRICT

Notes To Basic Financial Statements

7. RESTATEMENTS

As of and for the year ended September 30, 2004, the District implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The District was required to implement the new requirements for the fiscal year ending September 30, 2004.

The more significant of the changes required by the new standards include:

- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Budgetary schedules;
 - Notes to the basic financial statements

As a result of implementing these pronouncements for the fiscal year ended September 30, 2004, the following restatements were made to beginning net asset accounts.

CALHOUN CONSERVATION DISTRICT

Notes To Basic Financial Statements

Government-wide financial statements. Beginning net assets for governmental activities was determined as follows:

Fund balances of general fund as of September 30, 2003	\$ 113,968
Add: governmental capital assets at September 30, 2003	<u>36,900</u>
Governmental net assets, restated, as of October 1, 2003	<u>\$ 150,868</u>

* * * * *



REHMANN ROBSON

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

December 1, 2004

To the Board of Directors
Calhoun Conservation District
Marshall, Michigan

We have audited the financial statements of the governmental activities and the major fund of the **CALHOUN CONSERVATION DISTRICT (the "District")**, as of and for the year ended September 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Calhoun Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Calhoun Conservation District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected with a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.